



DOHA DATELINE
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Will global economy really revive its growth in 2015?

GCC likely to remain strong on huge infrastructure spending

AS WE ENTER 2015, we will review the economic trends prevailed in global economy in 2014 and their implications in 2015. The US economy grew at annual rate of five per cent in the third quarter. Its growth was uneven in 2014 with negative growth in the first quarter, followed by two quarters of rapid growth. If the US recovery continues like this and the fourth quarter numbers also are in this range, the Fed might have to revise its stance on raising interest rates. The core consumer price inflation (CPI) was at 1.7 per cent in 12 months through November and has remained below the committee's longer-run objective of about two per cent. The Fed will also monitor how CPI is impacted by fall in oil price. The International Monetary Fund (IMF) October 2014 outlook said the growth of 2.2 per cent in 2014 and 3.1 per cent in 2015 expected and if oil price remains at current levels it can improve the growth of US economy better than this.

The UK economy in the third quarter was 2.6 per cent higher than same period previous year. However, it had grown more slowly in the past year than previously thought. The consumer prices index grew by one per cent in the year to November, down from 1.3 per cent in October. Expectation of the first rise in interest rates to be delayed beyond the end of August 2015. The IMF forecasted 3.2 per cent growth for 2014 and 2.7 per cent for 2015, however, it can be lower than this.

Eurozone's domestic product was just 0.8 per cent higher in the third quarter when compared to same period in 2013. Eurozone economy was close to stagnation in the third quarter, as an acceleration in consumer spending was partly offset by a decline in investment spending and the contribution from trade. Inflation was down to 0.3 per cent in November, even before the full impact of the plunge in the oil price had fed through the economy. Investor concerns have once again revived after the Greek parliament rejected Prime Minister Antonis Samaras' nominee for president, automatically triggering an election, which is to be held in January. There are also expectations of quantitative easing by the European Central Bank (ECB) in early next year as it aims to revive economic growth, reduce unemployment and overcome deflation. The IMF outlook was 0.8 per cent for 2014 and 1.3 per cent for 2015, however, it can be lower than this.

Japan economy contracted by 1.9 per cent in annual terms from July to September 2014. An increase in the country's sales tax, which was first raised in April from five per cent to eight per cent, had hit growth in the second quarter and still appeared to be having an



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5.6%
economic growth
expected in India
for FY-2014

impact on the economy. Consumer prices excluding food increased 2.9 per cent in October from a year earlier. Excluding the effect of April's sales-tax increase, core inflation, the Bank of Japan's key measure was 0.9 per cent. Recently Japan's government approved stimulus spending worth \$29 billion aimed at helping the country's lagging regions and households through steps like subsidies and merchandise vouchers and we need to see how much the government can spur growth. The IMF outlook gave 0.9 per cent for 2014 and 0.8 per cent for 2015, however, it can be lower than this.

Emerging Markets (EMs) continued to slow amid falling commodity prices and uneven policy responses. Russia crisis has widened due to fall in oil price. Russia economy had already slowed to 0.7 per cent in the third quarter, year-on-year on account of Ukraine tensions. According to IMF outlook economy to grow 0.2 per cent in 2014 and 0.5 per cent in 2015. However, the fall in oil price, rouble and capital markets

will drive Russia into recession.

China's economy expanded by 7.3 per cent in the third quarter, down from 7.5 per cent in the previous quarter. The IMF forecasted 7.4 per cent growth for 2014 and 7.1 per cent for 2015. China's central bank had cut rates in November 2014 on concerns of slowdown. Beijing continues to work on various reforms to revive growth and the fall in oil price can give some boost to China's economic growth.

Brazil's economy shrank 0.2 per cent from a year earlier in the third quarter of 2014. The IMF expected economic growth of 0.3 per cent in 2014 and 1.4 per cent in 2015. However, the stagflation scenario still prevails which can slowdown growth further.

India's GDP grew at 5.3 per cent in the third quarter. The IMF in its report expected economic growth of 5.6 per cent for fiscal year 2014 and 6.4 per cent for fiscal year 2015 and it can be better than this. India should bring various reforms to revive its growth. It should simplify the business regulations and thereby improve its ease of doing business index. It should attract more foreign direct investment (FDI) like China across manufacturing, infrastructure, agribusiness and services. It should bring more clarity on FDI/ FII policy across sectors. E-governance initiatives should be pursued in healthcare, legal and judiciary segments to boost entrepreneurial activity. There should be a favourable tax regime to reinvigorate the manufacturing sector. India should have expedite on ground projects, revive

investment cycle and create more jobs. India has already begun on the single GST (goods and service tax) reforms and land acquisition reforms. It also plans to expand industrial corridors/clusters in all states with dedicated land and tailored laws for a particular cluster.

Growth in the Gulf Cooperation Council (GCC) remained strong on high infrastructure spending. The UAE property market picked up in 2014. Qatar's economic growth picked up to 5.7 per cent on an annual basis in the second quarter of this year as robust non-oil activity outweighed a decline in the hydrocarbon sector. The IMF expected Saudi Arabia, the UAE, Qatar, Kuwait, Oman and Bahrain to grow 4.5 per cent, 4.5 per cent, 7.7 per cent, 1.8 per cent, 3.4 per cent and 2.9 per cent, respectively in 2015. However the recent sharp decline in oil prices casts a shadow on the growth momentum going forward.

The IMF October 2014 outlook had expected a global growth of 3.3 per cent in 2014 and 3.8 per cent in 2015 respectively. The fall in oil price and revival of US and Indian economy are key contributors to growth in global economy. However the major risks include elections from Greece, a hard landing in China and a slide towards deflation in Europe and Japan. An element of caution still prevails and we need to see whether global economy will really revive its growth in 2015.

The writer is the group chief executive officer at Doha Bank. Views expressed by him are his own and do not reflect the newspaper's policy.